

Vietnam Halted Its COVID-19 Outbreak. Now Comes the Economic Fallout

Michael Tatarski

HO CHI MINH CITY, Vietnam—As countries around the world debate how quickly they should reopen their economies amid the coronavirus pandemic, Vietnam is largely ahead of the curve.

A national social distancing campaign that shut down non-essential businesses ended on April 22, and life has returned to a striking normalcy. Restaurants, bars, cinemas, barbers and other shops have reopened, though karaoke parlors and nightclubs are still closed. Sporting events and festivals are now allowed to resume as well, with the country's top soccer league scheduled to hit the pitch next month. Domestic tourism is slowly picking up, as authorities ease social distancing regulations on planes, trains and buses, and airlines and hotels are desperately trying to regain business. Schools nationwide have resumed in-person classes after being closed since the Lunar New Year holiday in early February.

All of this is possible thanks to a number of proactive, aggressive steps that Vietnam's government took shortly after the coronavirus emerged in Wuhan, China. On Jan. 23, the Ministry of Health announced the country's first two cases of COVID-19: a Chinese father and son who were visiting Ho Chi Minh City, the country's largest urban area and its economic hub. That same day, the government cancelled all pending flights between Vietnam and Wuhan, and a week later, it suspended air travel to and from mainland China. The land border was also closed to travelers.

At the same time, the government created the National Steering Committee on COVID-19 Prevention and Control, headed by Deputy Prime Minister Vu Duc Dam, to coordinate the national response. It disseminated information to the public in an uncharacteristically transparent way, through daily text messages sent to all mobile network subscribers, frequent articles in state media outlets, banners hung on city streets and a dedicated COVID-19 website built by the Ministry of Health.

Vietnam has had to contend with a number of outbreaks of infectious diseases in the past, including SARS in 2003 and periodic flare-ups of swine flu, which is caused by the H1N1 virus strain. Vietnamese officials have used lessons learned from those experiences to pursue a containment strategy involving mass quarantine and rapid contact tracing of coronavirus cases—a crucial step given that Vietnam's health system is not equipped to handle a widespread outbreak.

Through February and March, strict quarantine rules were put into place for all international travelers who had passed through China within the previous 14 days, and this rule was gradually extended to South Korea, Iran, Italy and then to every nation as the pandemic spread globally. The military joined the fight as well, turning barracks into quarantine facilities, while university dorms were also converted.

At the outbreak's peak, almost 80,000 people were quarantined nationwide, roughly half in government-operated facilities, and the rest at home. By the end of March, international flights

had been suspended and foreign arrivals banned, meaning the only people entering the country were returning Vietnamese nationals, all of whom are required to quarantine for two weeks.

As a result of these decisive actions, Vietnam has only seen 320 confirmed COVID-19 infections, with no community transmission reported for nearly one month. There have been no reported deaths associated with the virus, though a British COVID-19 patient in Ho Chi Minh City has been on life support for over a month.

The Ministry of Health says that just over 261,000 tests have been conducted. This is a relatively low number compared to Vietnam's population of 96 million, but since early flight restrictions largely kept the coronavirus out, mass testing has only been required after the development of specific clusters, such as one that broke out at one of Hanoi's largest hospitals. Given the country's low number of cases, it has by far the highest ratio of tests to confirmed infections in the world.

The social distancing campaign that ended last month has been called a lockdown in international media, but this overstates its severity. Most businesses were closed and domestic travel was halted, but people could leave their homes at will. I was able to go on regular runs around my neighborhood with ease—while always wearing a face mask, as authorities have required. No municipality has put in place the strict control measures seen in countries like China, Spain and Italy at the height of their outbreaks, and the streets remained relatively lively.

Now, with the outbreak apparently contained, Vietnam is looking anxiously at what comes next. An estimated five million workers nationwide have been laid off or furloughed due to the pandemic, according to the government, and state media has reported that the first quarter's unemployment figures were the worst in five years.

Prior to this, the tourism industry had been booming. Vietnam welcomed 18 million international arrivals last year, topping 2018's record, while domestic tourism also grew substantially on the back of sustained economic growth. Roughly 800,000 people work in the tourism industry, which is now on its knees. Once travel to and from China ended, Vietnam's largest source of foreign tourists was cut off, and the border remains closed to visitors. Other inbound international flights have not resumed, and will not be allowed again until June at the earliest.

Over a recent, four-day national holiday weekend in late April and early May, the popular coastal city of Da Nang saw 98.5 percent fewer visitors than during the same holiday in 2019, while Hanoi saw visitor numbers drop by well over 80 percent. In Ho Chi Minh City, tourist attractions are deserted.

“Although trade and investment may be restored to some extent, tourism will be hardest-hit,” Le Hong Hiep, a research fellow at the ISEAS-Yusof Ishak Institute in Singapore, said in an email. “I don't see any chance for Vietnam's tourism sector to recover to even half of its performance in 2019. The road to full recovery for the sector may take years.” In response, the Ministry of Culture, Sports and Tourism has launched a campaign to spur domestic travel, while many hotels and resorts are offering substantial discounts for Vietnamese nationals and resident foreigners. Other industries appear to be safer, though the expected sharp contraction in the global economy this year will hit demand for manufactured goods. Vietnam had seen robust growth in this area recently, particularly as corporations shifted production to the country amid the U.S.-China trade war.

“The current government has a very strong incentive to speedily recover economic growth as much as possible,” Hiep said. “The Communist Party’s congress will take place next year, so they want to claim credit for navigating the economy through this crisis and don’t want a poor economic showing.”

In early April, the government announced a \$2.6 billion relief package aimed at 20 million people, which included cash transfers to those considered poor or near-poor and those who are especially vulnerable to losing income. State media recently reported that \$13.8 million worth of aid has been distributed to 278,700 Ho Chi Minh City residents, including the poor, those who have served the country and people who rely on social protection programs.

The government is counting on a rebound in domestic demand, fueled by a rapid economic reopening. But that can only do so much. “The Vietnamese economy is one of the most open in the region, and it’s highly dependent on foreign trade, investment and tourists,” Hiep said. “As long as other countries are still struggling with COVID-19, Vietnam itself can’t restore many economic activities to full normalcy, especially when cross-border travel remains highly restricted.”

Nonetheless, Prime Minister Nguyen Xuan Phuc recently set an aggressive target of achieving over 5 percent GDP growth this year—still a decline from around 7 percent growth over the last five years. The International Monetary Fund, meanwhile, has forecast growth of 2.7 percent for 2020, a figure that still beats projections for most of Southeast Asia and is far better than what is expected in the West.

“As Vietnam has been able to contain the virus early, the economic damage is much less than otherwise,” Hiep said. Still, “Vietnam’s road to full economic recovery remains long and bumpy.”

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